

**Village of Pewamo
Ionia County, Michigan**

FINANCIAL STATEMENTS

March 15, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

| | | | |
|---|---------------------------|--|-----------------|
| Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Village of Pewamo | County Ionia |
| Audit Date 3/15/2004 | Opinion Date 4/29/2004 | Date Accountant Report Submitted to State: July 1, 2004 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|-------------------------------------|-----------------|-------------------------------------|
| The letter of comments and recommendations. | <input checked="" type="checkbox"/> | | |
| Reports on individual federal financial assistance programs (program audits). | | | <input checked="" type="checkbox"/> |
| Single Audit Reports (ASLGU). | | | <input checked="" type="checkbox"/> |

| | | | |
|--|-------------------|-------------|--------------|
| Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C. | | | |
| Street Address 108 Spring St. | City St. Johns | State MI | ZIP 48879 |
| Accountant Signature <i>Abraham E. Gaffney, P.C. John K. Rice</i> | | | |

Principals

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Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



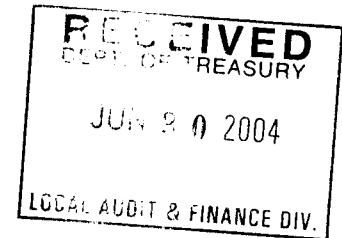
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MANAGEMENT LETTER



To the Honorable President and
Members of the Village Council
Village of Pewamo
Pewamo, Michigan

As you know, we have recently completed our audit of the records of the Village of Pewamo, Michigan as of and for the year ended March 15, 2004. In connection with the audit, we feel that certain a change in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management. These weaknesses is not considered reportable conditions in relation to the general purpose financial statements of the Village of Pewamo, Michigan but may be areas of possible improvement.

1. The Village should take physical inventory of their general fixed assets.

During our analysis of general fixed assets activity for the year and through discussions with management related to general fixed assets, we noted that although the Village has maintained historical cost information for general fixed assets on a year-to-year basis, a detailed record of general fixed asset balances by governmental function detailing acquisition year, useful life, etc. has not been maintained by the Village for every asset.

The Village is required to implement GASB Statement No. 34 no later than fiscal year ending March 15, 2005, which will require government-wide financial statements prepared on the full accrual basis of accounting. Under the full accrual basis of accounting, capital assets are depreciated over their estimated useful lives. To the extent possible, the depreciation expense should be allocated to the appropriate function of the government.

We suggest the Village establish a capitalization policy, inventory their capital assets, determine historical cost or estimated historical cost, and estimated useful lives of those capital assets. Such information should then be used to calculate accumulated depreciation for the capital assets through March 15, 2004. This will be used for the beginning balances for the 04/05 year for GASB No. 34 implementation. Compiling this data related to the Village's capital assets will not only facilitate the implementation of GASB Statement No. 34, it will also increase your internal control over capital assets and lessen the risk of misappropriation of assets.

2. The Village should review the current rate structure or other financial aspects of the Water and Sewer Fund to reduce or eliminate future losses.

During our review of the Water and Sewer Funds results of operations, it was noted the funds again had losses this year. These funds have had losses in several of the previous years.

The Enterprise Funds' intent is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

We suggest the Village review the water and sewer rates being charged to determine if they are sufficient to support the operations of this fund. The Village may need to evaluate rates or examine the possibilities of reducing expenses in these funds.

3. The Village should review various areas of operation and consider additional segregation of duties.

During our consideration and assessment of fraud risk, we noted that the Village may not have sufficient segregation of duties in its accounting structure. The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e., receipts, disbursements, utility billing, etc.).

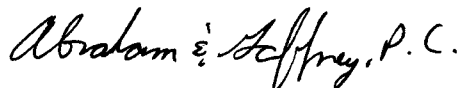
While this is a common occurrence in small organizations due to the limited number of employees, the Village Council should realize that a greater risk in safeguarding assets exists if duties and responsibilities are not appropriately arranged and separated.

We suggest that the Village review various areas of operation and consider additional segregation of duties. If duties cannot be adequately segregated due to the limited number of employees, we suggest the Village Council provide a greater review and supervision of employee functions and procedures.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the general purpose financial statements, and this report does not affect our report on the general purpose financial statements dated April 29, 2004

This report is intended solely for the information of management and the President and Members of the Village Council of the Village of Pewamo and is not intended to be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation to us during our audit. We are available to discuss any issues with you and to provide assistance in the implementation of improvements.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 29, 2004

Village of Pewamo
Ionia County, Michigan

March 15, 2004

VILLAGE COUNCIL AND ADMINISTRATION

| | |
|------------------------|-------------------|
| Mr. David Kramer | President |
| Mr. William Thelen | President Pro-tem |
| Mr. William Heckman | Trustee |
| Mr. Mike Miller | Trustee |
| Mr. Mike Smith | Trustee |
| Mr. Doug LaVoie | Trustee |
| Mrs. Patricia Distel | Trustee |
| Mrs. Michelle Spitzley | Clerk |
| Mrs. Pam Stump | Treasurer |

Village of Pewamo

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INDEPENDENT AUDITOR'S REPORT

To the Honorable President and
Members of the Village Council
Village of Pewamo
Pewamo, Michigan

We have audited the accompanying general purpose financial statements of the Village of Pewamo, Michigan as of and for the year ended March 15, 2004, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Pewamo, Michigan as of March 15, 2004, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the Table of Contents under Supplemental Financial Information are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Pewamo, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

April 29, 2004

Village of Pewamo

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

March 15, 2004

| | Governmental Fund Types | | Proprietary Fund Type |
|---|-------------------------|--------------------|--------------------------|
| | General | Special Revenue | Enterprise |
| ASSETS | | | |
| Cash and cash equivalents | \$ 93,060 | \$ 78,028 | \$ 19,632 |
| Investments | 32,751 | - | 432,150 |
| Receivables | | | |
| Taxes | 8,409 | - | - |
| Accounts | - | - | 17,460 |
| Interest | 151 | 127 | 1,791 |
| Due from other funds | 23,867 | - | 1,980 |
| Due from other governmental units - State | - | 10,076 | - |
| Advance to other funds | - | - | 60,000 |
| Fixed assets (net of accumulated depreciation) | - | - | 1,213,893 |
| TOTAL ASSETS | \$ 158,238 | \$ 88,231 | \$ 1,746,906 |
| LIABILITIES | | | |
| Payables | | | |
| Accounts | \$ 3,201 | \$ 382 | \$ 915 |
| Wages | 3,297 | - | - |
| Due to other funds | 1,980 | 984 | 22,883 |
| Advance from other funds | 60,000 | - | - |
| Accrued liabilities | 349 | - | - |
| TOTAL LIABILITIES | 68,827 | 1,366 | 23,798 |
| FUND EQUITY | | | |
| Contributed capital | | | |
| Federal and State Government | - | - | 485,897 |
| Taxpayers | - | - | 382,574 |
| Investment in general fixed assets | - | - | - |
| Retained earnings | | | |
| Unreserved | - | - | 854,637 |
| Fund balance | | | |
| Reserved for equipment replacement | 32,751 | - | - |
| Designated for subsequent year's expenditures | - | 22,400 | - |
| Unreserved | | | |
| Undesignated | 56,660 | 64,465 | - |
| TOTAL FUND EQUITY | 89,411 | 86,865 | 1,723,108 |
| TOTAL LIABILITIES AND FUND EQUITY | \$ 158,238 | \$ 88,231 | \$ 1,746,906 |

See accompanying notes to general purpose financial statements.

GENERAL PURPOSE FINANCIAL STATEMENTS

| Account Group | Totals (Memorandum Only) |
|-------------------------|--------------------------------|
| General Fixed Assets | |
| \$ - | \$ 190,720 |
| - | 464,901 |
| - | 8,409 |
| - | 17,460 |
| - | 2,069 |
| - | 25,847 |
| - | 10,076 |
| - | 60,000 |
| <u>560,651</u> | <u>1,774,544</u> |
| <u>\$ 560,651</u> | <u>\$ 2,554,026</u> |
| \$ - | \$ 4,498 |
| - | 3,297 |
| - | 25,847 |
| - | 60,000 |
| - | 349 |
| <u>-0-</u> | <u>93,991</u> |
| - | 485,897 |
| - | 382,574 |
| 560,651 | 560,651 |
| - | 854,637 |
| - | 32,751 |
| <u>-</u> | <u>121,125</u> |
| <u>560,651</u> | <u>2,437,635</u> |
| <u>\$ 560,651</u> | <u>\$ 2,531,626</u> |

Village of Pewamo

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES

Year Ended March 15, 2004

| | General | Special Revenue | Totals (Memorandum Only) |
|---|-----------|--------------------|--------------------------------|
| REVENUES | | | |
| Taxes | \$ 95,555 | \$ - | \$ 95,555 |
| Intergovernmental | 59,174 | 50,087 | 109,261 |
| Charges for services | 50,218 | - | 50,218 |
| Interest and rents | 31,927 | 625 | 32,552 |
| Other | 2,346 | - | 2,346 |
| TOTAL REVENUES | 239,220 | 50,712 | 289,932 |
| EXPENDITURES | | | |
| General government | 37,138 | - | 37,138 |
| Public safety | 6,917 | - | 6,917 |
| Public works | 106,964 | 26,410 | 133,374 |
| Health and welfare | 7,590 | - | 7,590 |
| Community and economic development | 450 | - | 450 |
| Recreation and cultural | 1,886 | - | 1,886 |
| Other | 9,215 | - | 9,215 |
| TOTAL EXPENDITURES | 170,160 | 26,410 | 196,570 |
| EXCESS OF REVENUES OVER EXPENDITURES | 69,060 | 24,302 | 93,362 |
| Fund balances, beginning of year | 36,884 | 62,563 | 99,447 |
| Prior period adjustment | (16,533) | - | (16,533) |
| Fund balances, end of year | \$ 89,411 | \$ 86,865 | \$ 176,276 |

See accompanying notes to general purpose financial statements.

Village of Pewamo

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES

Year Ended March 15, 2004

| | General Fund | | Variance Favorable (Unfavorable) |
|---|--------------|-----------|--|
| | Budget | Actual | |
| REVENUES | | | |
| Taxes | \$ 95,000 | \$ 95,555 | \$ 555 |
| Intergovernmental | 61,000 | 59,174 | (1,826) |
| Charges for services | 76,150 | 50,218 | (25,932) |
| Interest and rents | 21,100 | 31,927 | 10,827 |
| Other | 1,500 | 2,346 | 846 |
| TOTAL REVENUES | 254,750 | 239,220 | (15,530) |
| EXPENDITURES | | | |
| General government | 35,950 | 37,138 | (1,188) |
| Public safety | 6,500 | 6,917 | (417) |
| Public works | 112,900 | 106,964 | 5,936 |
| Health and welfare | 4,000 | 7,590 | (3,590) |
| Community and economic development | 700 | 450 | 250 |
| Recreation and cultural | 5,000 | 1,886 | 3,114 |
| Other | 12,400 | 9,215 | 3,185 |
| TOTAL EXPENDITURES | 177,450 | 170,160 | 7,290 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 77,300 | 69,060 | (8,240) |
| Fund balances, beginning of year | 36,884 | 36,884 | -0- |
| Prior period adjustment | - | (16,533) | (16,533) |
| Fund balances, end of year | \$ 114,184 | \$ 89,411 | \$ (24,773) |

See accompanying notes to general purpose financial statements.

| Special Revenue Funds | | |
|-----------------------|-----------|--|
| Budget | Actual | Variance Favorable (Unfavorable) |
| \$ - | \$ - | \$ -0- |
| 46,000 | 50,087 | 4,087 |
| - | - | -0- |
| 200 | 625 | 425 |
| - | - | -0- |
| 46,200 | 50,712 | 4,512 |
| - | - | -0- |
| - | - | -0- |
| 24,750 | 26,410 | (1,660) |
| - | - | -0- |
| - | - | -0- |
| - | - | -0- |
| 24,750 | 26,410 | (1,660) |
| 21,450 | 24,302 | 2,852 |
| 62,563 | 62,563 | -0- |
| - | - | -0- |
| \$ 84,013 | \$ 86,865 | \$ 2,852 |

Village of Pewamo

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE

Year Ended March 15, 2004

| | <u>Enterprise</u> |
|--|--------------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 76,393 |
| Miscellaneous | <u>223</u> |
| TOTAL OPERATING REVENUES | 76,616 |
| OPERATING EXPENSES | |
| Salaries and wages | 36,310 |
| Supplies | 1,528 |
| Contractual services | 18,863 |
| Utilities | 5,077 |
| Repairs and maintenance | 3,687 |
| Equipment rental | 9,708 |
| Miscellaneous | 28 |
| Water samples | 2,217 |
| Depreciation | <u>45,113</u> |
| TOTAL OPERATING EXPENSES | <u>122,531</u> |
| OPERATING LOSS | (45,915) |
| NONOPERATING REVENUES | |
| Interest revenue | <u>292</u> |
| NET LOSS | (45,623) |
| Add depreciation on contributed fixed assets | <u>17,669</u> |
| DECREASE IN RETAINED EARNINGS | (27,954) |
| Retained earnings, beginning of year | <u>882,591</u> |
| Retained earnings, end of year | <u><u>\$ 854,637</u></u> |

See accompanying notes to general purpose financial statements.

Village of Pewamo

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

Year Ended March 15, 2004

| | <u>Enterprise</u> |
|---|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Operating loss | \$ (45,915) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | |
| Depreciation | 45,113 |
| (Increase) in accounts receivable | (5,626) |
| Decrease in accrued interest receivable | 855 |
| (Decrease) in accounts payable | (2,887) |
| Increase in due to other funds | <u>22,372</u> |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 13,912 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchase of investments | (432,150) |
| Maturities of investments | 442,395 |
| Interest revenue | <u>292</u> |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 10,537 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Capital purchases | <u>(26,407)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS DURING YEAR | (1,958) |
| Cash and cash equivalents, beginning of year | <u>21,590</u> |
| Cash and cash equivalents, end of year | <u><u>\$ 19,632</u></u> |

See accompanying notes to general purpose financial statements.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 15, 2004

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Pewamo is located in Ionia County, Michigan and has a population of approximately 520. The Village of Pewamo operates with a Village President/Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The Village Council is made up of the Village President, Clerk, Treasurer, and four (4) trustees who are selected at large for overlapping four-year terms.

The financial statements of the Village have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to Village governments. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Village's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5; these financial statements present all financial activities of the Village of Pewamo (primary government). The Village has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the general purpose financial statements of the Village of Pewamo contain all the funds and account groups controlled by the Village Council.

2. Basis of Presentation

The accounts of the Village are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Village resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into three (3) fund types and one (1) account group as follows:

GOVERNMENTAL FUNDS

- a. General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special Revenue Funds (Major Street, Local Street) - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 15, 2004

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - continued

PROPRIETARY FUNDS

- a. Enterprise Funds (Sewer System, Water System) - The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

ACCOUNT GROUP

- a. General Fixed Assets Account Group - The General Fixed Assets Account Group is used to maintain control and cost information for all fixed assets of the Township other than those accounted for in the proprietary funds.

3. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the Balance Sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Balance Sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

4. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable, but not available, are recorded as a receivable and deferred revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

The proprietary funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and the expenses are recognized when they are incurred.

5. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results. The Village employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to March 16, the Village Council prepares the proposed operating budgets for the fiscal year commencing March 16. The operating budget includes proposed expenditures and resources to finance them.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 15, 2004

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets and Budgetary Accounting - continued

- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to March 16, the budgets are legally adopted with passage by Council vote.
- d. The budgets are legally adopted at the activity level; however, they are maintained at the account level for control purposes.
- e. After the budgets are adopted, all transfers of budgeted amounts between accounts within a fund or activity or any revisions that alter the total expenditures of a fund or activity must be approved by the Village Council.
- f. The Village does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at March 15, 2004 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted by the Village Council. The individual budgets were appropriately approved by the Village Council in accordance with required procedures.

6. Cash, Cash Equivalents, and Investments

Cash equivalents are temporary investments that consist of various money market checking accounts, certificates of deposit with an original maturity of 90 days or less, and mutual funds. The cash and cash equivalents are recorded at market value.

Investments include certificates of deposit with an original maturity of greater than 90 days from the date of purchase. All investments are stated market value.

7. Property Tax

The Village of Pewamo bills and collects its own property taxes. The Village's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the Village of Pewamo on July 1 and are payable without penalty through September 1. All real property taxes not paid to the Village by September 15 are turned over to the Ionia County Treasurer for collection. The Ionia County Treasurer remits payments to the Village on any delinquent real property taxes. Delinquent personal property taxes are retained by the Village for subsequent collection. Collections and remittances of all taxes are accounted for in the General Fund. Village property tax revenues are recognized as revenues in the fiscal year levied.

The Village is permitted to levy taxes up to 15 mills (\$15 per \$1,000 of assessed valuation) for general governmental services. For the year ended March 15, 2004, the Village levied 12.00 mills for general governmental services. The total taxable value for the 2003 levy for property within the Village was \$7,962,947.

8. Interfund Transactions

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services and construct assets. The accompanying financial statements generally reflect such transactions as operating transfers.

The General Fund records charges for administrative services and equipment rental to various Village departments and funds as revenue. All Village funds record these payments as operating expenditures/expenses.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 15, 2004

NOTE A: DESCRIPTION OF VILLAGE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Advances to Other Funds

Long-term advances from some funds to other funds are made to finance new construction.

10. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources".

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in a General Fixed Assets Account Group rather than in the governmental funds. The general fixed assets are recorded as expenditures at the time of purchase in the governmental fund types.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components.

Fixed assets are recorded at cost, or if donated, at fair market value at the date of donation. Expenditures that materially extend the useful life of existing assets are capitalized. Public domain (infrastructure) general fixed assets, which include roads, bridges, curbs and gutters, sidewalks, and drains are not capitalized.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets.

The estimated useful lives are:

| | |
|---------------------------------|-------------|
| Utility plant, wells, and mains | 50 years |
| Sewer system | 50 years |
| Equipment | 10-15 years |

11. Comparative Data

Comparative data for the General and Special Revenue Funds has been presented in the accompanying financial statements in order to provide an understanding of changes in the Fund's financial position and operations of each fund. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

12. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 15, 2004

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Village is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, or a State or Federally chartered savings and loan association, savings, bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

As of March 15, 2004, the carrying amounts and bank balances for each type of bank account are as follows:

| | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|-------------------------|----------------------------|-------------------------|
| <u>Cash</u> | | |
| Money market checking | \$ 190,720 | \$ 191,825 |
| <u>Investments</u> | | |
| Certificates of deposit | <u>464,901</u> | <u>464,901</u> |
| | <u>\$ 655,621</u> | <u>\$ 656,726</u> |

Deposits of the Village are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the Village. As of March 15, 2004, the Village accounts were insured by the FDIC for \$200,000, and the amount of \$456,726 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Village held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Village of Pewamo

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 15, 2004

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 15, 2004, are as follows:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Fund</u> | <u>Interfund Fund Payable</u> |
|--------------|---------------------------------|-----------------|-----------------------------------|
| General | | General | |
| Major Street | \$ 803 | Sewer System | \$ 990 |
| Local Street | 181 | Water System | <u>990</u> |
| Sewer System | 391 | | 1,980 |
| Water System | <u>22,492</u> | | |
| | 23,867 | Special Revenue | |
| Enterprise | | Major Street | |
| Sewer System | | General | 803 |
| General | 990 | Local Street | |
| | | General | <u>181</u> |
| Water System | | | 984 |
| General | <u>990</u> | Enterprise | |
| | <u>1,980</u> | Sewer System | |
| | <u>\$ 25,847</u> | General | 391 |
| | | Water System | |
| | | General | <u>22,492</u> |
| | | | <u>22,883</u> |
| | | | <u>\$ 25,847</u> |

NOTE D: ADVANCES RECEIVABLE AND PAYABLE

Interfund receivable and payable balances described as Advances To and Advances From Other Funds on the Balance Sheet reflect amounts advanced from or to a particular fund by another fund of the Village. These amounts are long-term obligations due and payable over greater than a one year time period.

The following schedule details primary government advances to and from other funds at March 15, 2004:

| <u>Fund</u> | <u>Advance To</u> | <u>Advance From</u> |
|-----------------|-----------------------|-------------------------|
| General | | |
| Sewer System | \$ - | \$ 56,000 |
| Water System | - | <u>4,000</u> |
| Enterprise Fund | | |
| Sewer System | | |
| General | 56,000 | - |
| Water System | | |
| General | <u>4,000</u> | <u>-</u> |
| | <u>\$ 60,000</u> | <u>\$ 60,000</u> |

Village of Pewamo

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 15, 2004

NOTE E: FIXED ASSETS

A summary of changes in general fixed assets at March 15, 2004 follows:

| | Balance Mar. 16, 2003 | Additions | Deletions | Balance Mar. 15, 2004 |
|----------------------------|--------------------------|-----------------|-----------------|--------------------------|
| Land and improvements | \$ 118,817 | \$ - | \$ - | \$ 118,817 |
| Buildings and improvements | 204,571 | - | - | 204,571 |
| Equipment | 150,356 | 3,050 | - | 153,406 |
| Vehicles | 71,723 | - | - | 71,723 |
| Office equipment | 12,764 | 985 | 1,615 | 12,134 |
| | <u>\$ 558,231</u> | <u>\$ 4,035</u> | <u>\$ 1,615</u> | <u>\$ 560,651</u> |

A summary of Proprietary Fund Type fixed assets at March 15, 2004 follows:

| | Enterprise |
|---------------------------------|---------------------|
| Utility plant, wells, and mains | \$ 471,635 |
| Sewer System | 1,582,689 |
| Equipment | <u>34,292</u> |
| Total | 2,088,616 |
| Less: accumulated depreciation | <u>(874,723)</u> |
| Net fixed assets | <u>\$ 1,213,893</u> |

NOTE F: RISK MANAGEMENT

The Village participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The Village has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

The Village also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The Village has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

NOTE G: RETIREMENT PLAN

Plan Description

The Village participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the Village. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Village of Pewamo

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 15, 2004

NOTE G: RETIREMENT PLAN - CONTINUED

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Village Council. The plan requires a 1.7% contribution from the employees, and the Village contributes the remaining amounts necessary to fund the system.

Annual Pension Cost

For year ended March 15, 2004 the Village's annual pension cost of \$3,223 for the plan was equal to the Village's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 5.0 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 4.2% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is ten (10) years.

Three (3) year trend information

| | Year Ended December 31, | | |
|---|-------------------------|-------------|-------------|
| | <u>2000</u> | <u>2001</u> | <u>2002</u> |
| Actuarial value of assets | \$ 19,094 | \$ 23,486 | \$ 28,348 |
| Actuarial accrued liability (AAL) (entry age) | 41,518 | 50,354 | 59,498 |
| Unfunded (overfunded) AAL | 22,424 | 26,868 | 31,150 |
| Funded ratio | 46 % | 47 % | 48 % |
| Covered payroll | 35,199 | 38,472 | 41,422 |
| UAAL as a percentage of covered payroll | 64 % | 70 % | 75 % |
| Annual pension cost | 2,467 | 2,522 | 3,223 |
| Percentage of APC contributed | 100 % | 100 % | 100 % |
| Net pension obligation | - | - | - |

NOTE H: SEGMENT INFORMATION

The Village operates the Sewer System and Water System utilities providing services to the various Village residents. Segment information for the fiscal year ended March 15, 2004, is as follows:

| | <u>Sewer System</u> | <u>Water System</u> | <u>Total</u> |
|---------------------|-------------------------|-------------------------|--------------|
| Operating revenues | \$ 31,793 | \$ 44,823 | \$ 76,616 |
| Operating expenses | | | |
| Depreciation | 33,599 | 11,514 | 45,113 |
| Other | 33,666 | 43,752 | 77,418 |
| Operating loss | (35,472) | (10,443) | (45,915) |
| Net loss | (35,286) | (10,337) | (45,623) |
| Contributed capital | 868,471 | - | 868,471 |
| Net working capital | 21,171 | (4,106) | 17,065 |
| Total assets | 1,425,685 | 321,221 | 1,746,906 |
| Total equity | 1,425,141 | 297,967 | 1,723,108 |

Village of Pewamo

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 15, 2004

NOTE I: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the body of the combined financial statements, the Village's budgeted expenditures in the General and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the Village have been adopted at the activity level.

During the year ended March 15, 2004, the Village incurred expenditures in the General and Special Revenue Funds in excess of the amounts appropriated as follows:

| | <u>Amounts Appropriated</u> | <u>Amounts Expended</u> | <u>Variance</u> |
|--------------------------|---------------------------------|-----------------------------|-----------------|
| General Fund | | | |
| General Government | | | |
| Elections | \$ 500 | \$ 765 | \$ 265 |
| Financial administration | 27,950 | 29,201 | 1,251 |
| Hall and grounds | 500 | 722 | 222 |
| Public Safety | | | |
| Fire Department | 5,000 | 6,917 | 1,917 |
| Public Works | | | |
| Sidewalk construction | 10,500 | 10,761 | 261 |
| Health and Welfare | | | |
| Ambulance | 4,000 | 7,590 | 3,590 |
| Special Revenue Fund | | | |
| Local Street | 8,650 | 10,976 | 2,326 |

NOTE J: FUND EQUITY RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the Village has set aside for specific purposes.

The following is the fund balance reserve as of March 15, 2004:

| | |
|------------------------------------|------------------|
| General Fund | |
| Reserved for equipment replacement | <u>\$ 32,751</u> |

The following are fund balance designations as of March 31, 2003:

| | |
|---|------------------|
| Special Revenue Funds | |
| Major Street | |
| Designated for subsequent year's expenditures | \$ 18,600 |
| Local Street | |
| Designated for subsequent year's expenditures | <u>3,800</u> |
| TOTAL REPORTING ENTITY | <u>\$ 22,400</u> |

Village of Pewamo

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

March 15, 2004

NOTE K: GASB STATEMENT NO. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Village's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Village's activities, including reporting infrastructure assets (roads, bridges, etc.).
- A change in the fund financial statements to focus on the major funds.

The general provisions of GASB Statement No. 34 must be implemented by Village of Pewamo no later than the fiscal year ending March 15, 2005; the retroactive reporting of infrastructures, if any, must be implemented no later than the year ending March 15, 2009.

SUPPLEMENTAL FINANCIAL INFORMATION

Village of Pewamo

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended March 15, 2004
With Actual Amounts for Year Ended March 15, 2003

| | <u>Budget</u> | <u>2004 Actual</u> | <u>Variance Favorable (Unfavorable)</u> | <u>2003 Actual</u> |
|---------------------------------|---------------|------------------------|---|------------------------|
| REVENUES | | | | |
| Taxes | | | | |
| General property tax | \$ 95,000 | \$ 95,555 | \$ 555 | \$ 90,242 |
| Intergovernmental - State/Local | | | | |
| County reimbursement | - | - | -0- | 531 |
| State shared revenue | | | | |
| Revenue sharing funds | 60,000 | 58,239 | (1,761) | 63,590 |
| Liquor licenses | 1,000 | 935 | (65) | 949 |
| Recreational grant | - | - | -0- | 45,184 |
| Total intergovernmental | 61,000 | 59,174 | (1,826) | 110,254 |
| Charges for services | | | | |
| Ambulance runs | 6,000 | 4,398 | (1,602) | 1,382 |
| Grave openings | 150 | - | (150) | 110 |
| Administrative charges | 70,000 | 45,820 | (24,180) | 30,197 |
| Total charges for services | 76,150 | 50,218 | (25,932) | 31,689 |
| Interest and rents | | | | |
| Interest | 1,100 | 8,973 | 7,873 | 1,607 |
| Rent - equipment | 20,000 | 22,954 | 2,954 | 23,096 |
| Total interest and rents | 21,100 | 31,927 | 10,827 | 24,703 |
| Other | | | | |
| Cable TV franchise fees | 1,400 | - | (1,400) | 1,327 |
| Miscellaneous | 100 | 2,346 | 2,246 | 2,726 |
| Total other | 1,500 | 2,346 | 846 | 4,053 |
| TOTAL REVENUES | 254,750 | 239,220 | (15,530) | 260,941 |

Village of Pewamo

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended March 15, 2004
With Actual Amounts for Year Ended March 15, 2003

| | Budget | 2004 Actual | Variance Favorable (Unfavorable) | 2003 Actual |
|--------------------------------|----------|----------------|--|----------------|
| EXPENDITURES | | | | |
| General government | | | | |
| Legislative | | | | |
| Salaries and wages - Council | \$ 5,000 | \$ 4,600 | \$ 400 | \$ 5,019 |
| Executive | | | | |
| Salaries and wages - Mayor | 2,000 | 1,850 | 150 | 1,950 |
| Elections | | | | |
| Salaries and wages | 500 | 105 | 395 | - |
| Supplies | - | 660 | (660) | 470 |
| Total elections | 500 | 765 | (265) | 470 |
| Financial administration | | | | |
| Clerk wages | 7,600 | 7,600 | - | 7,650 |
| Treasurer wages | 2,200 | 2,400 | (200) | 2,400 |
| Supplies | 5,000 | 3,404 | 1,596 | 2,204 |
| Audit fees | 1,200 | 1,120 | 80 | 1,170 |
| Legal fees | 1,000 | - | 1,000 | 75 |
| Utilities | 3,000 | 816 | 2,184 | 2,145 |
| Insurance | 3,600 | 10,966 | (7,366) | 2,616 |
| Education and training | 1,000 | - | 1,000 | - |
| Equipment | 3,000 | 985 | 2,015 | - |
| Miscellaneous | 350 | 1,910 | (1,560) | 4,072 |
| Total financial administration | 27,950 | 29,201 | (1,251) | 22,332 |
| Hall and grounds | | | | |
| Operating supplies | - | - | -0- | 1,550 |
| Repairs and maintenance | 500 | 722 | (222) | 5,175 |
| Total hall and grounds | 500 | 722 | (222) | 6,725 |
| Total general government | 35,950 | 37,138 | (1,188) | 36,496 |
| Public safety | | | | |
| Police department | | | | |
| Wages | 1,500 | - | 1,500 | 1,500 |

Village of Pewamo

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended March 15, 2004
With Actual Amounts for Year Ended March 15, 2003

| | Budget | 2004 Actual | Variance Favorable (Unfavorable) | 2003 Actual |
|------------------------------------|----------|----------------|--|----------------|
| EXPENDITURES - CONTINUED | | | | |
| Public safety - continued | | | | |
| Fire department | | | | |
| Contractual services | \$ 3,000 | \$ - | \$ 3,000 | \$ 2,143 |
| Repairs and maintenance | 2,000 | 6,917 | (4,917) | 3,926 |
| Total fire department | 5,000 | 6,917 | (1,917) | 6,069 |
| Total public safety | 6,500 | 6,917 | (417) | 7,569 |
| Public works | | | | |
| Department of Public Works | | | | |
| Salaries and wages | 58,000 | 65,963 | (7,963) | 62,635 |
| Repair and maintenance | 15,500 | 7,465 | 8,035 | 4,146 |
| Contractual services | - | 4,436 | (4,436) | 6,633 |
| Utilities | 3,000 | 3,146 | (146) | 4,010 |
| Equipment purchases | 15,000 | 6,908 | 8,092 | 17,396 |
| Total Department of Public Works | 91,500 | 87,918 | 3,582 | 94,820 |
| Sidewalk construction | | | | |
| Contractual services | 10,500 | 10,761 | (261) | - |
| Storm drain construction | | | | |
| Contractual services | 2,500 | - | 2,500 | 11,134 |
| Street lighting | | | | |
| Salaries and wages | 500 | - | 500 | - |
| Utilities | 7,900 | 8,285 | (385) | 7,199 |
| Total street lighting | 8,400 | 8,285 | 115 | 7,199 |
| Total public works | 112,900 | 106,964 | 5,936 | 113,153 |
| Health and Welfare | | | | |
| Ambulance | | | | |
| Contractual services | 4,000 | 7,590 | (3,590) | 5,056 |
| Community and economic development | | | | |
| Zoning Board | | | | |
| Salaries and wages | 700 | 450 | 250 | 725 |

Village of Pewamo

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CONTINUED

Year Ended March 15, 2004
With Actual Amounts for Year Ended March 15, 2003

| | Budget | 2004 Actual | Variance Favorable (Unfavorable) | 2003 Actual |
|---|------------|----------------|--|----------------|
| EXPENDITURES - CONTINUED | | | | |
| Recreation and cultural | | | | |
| Parks and recreation | | | | |
| Repairs and maintenance | \$ 5,000 | \$ 1,886 | \$ 3,114 | \$ - |
| Capital outlay | - | - | -0- | 51,009 |
| Total recreation and cultural | 5,000 | 1,886 | 3,114 | 51,009 |
| Other | | | | |
| Fringe benefits | | | | |
| Social Security | 7,000 | 5,992 | 1,008 | 6,239 |
| Medicare | - | - | -0- | 11 |
| Pension - MERS | 5,400 | 3,223 | 2,177 | 2,345 |
| Total other | 12,400 | 9,215 | 3,185 | 8,595 |
| TOTAL EXPENDITURES | 177,450 | 170,160 | 7,290 | 222,603 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 77,300 | 69,060 | (8,240) | 38,338 |
| Fund balance, beginning of year | 36,884 | 36,884 | -0- | (1,454) |
| Prior period adjustment | - | (16,533) | (16,533) | - |
| Fund balance, end of year | \$ 114,184 | \$ 89,411 | \$ (24,773) | \$ 36,884 |

Village of Pewamo
Special Revenue Funds
COMBINING BALANCE SHEET
March 15, 2004

| | Major Street | Local Street | Total |
|---|------------------|------------------|------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 64,869 | \$ 13,159 | \$ 78,028 |
| Accrued interest receivable | 2 | 125 | 127 |
| Due from other governmental units - State | 7,803 | 2,273 | 10,076 |
| TOTAL ASSETS | <u>\$ 72,674</u> | <u>\$ 15,557</u> | <u>\$ 88,231</u> |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts payable | \$ 195 | \$ 187 | \$ 382 |
| Due to other funds | 803 | 181 | 984 |
| TOTAL LIABILITIES | 998 | 368 | 1,366 |
| FUND BALANCES | | | |
| Designated for subsequent year's expenditures | 18,600 | 3,800 | 22,400 |
| Unreserved | | | |
| Undesignated | 53,076 | 11,389 | 64,465 |
| TOTAL FUND BALANCES | <u>71,676</u> | <u>15,189</u> | <u>86,865</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 72,674</u> | <u>\$ 15,557</u> | <u>\$ 88,231</u> |

Village of Pewamo

Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 15, 2004

| | Major Street | Local Street | Total |
|---|-----------------|-----------------|-----------|
| REVENUES | | | |
| Intergovernmental | \$ 38,817 | \$ 11,270 | \$ 50,087 |
| Interest | 505 | 120 | 625 |
| TOTAL REVENUES | 39,322 | 11,390 | 50,712 |
| EXPENDITURES | | | |
| Public works | | | |
| Highways and streets | 15,434 | 10,976 | 26,410 |
| EXCESS OF REVENUES OVER EXPENDITURES | 23,888 | 414 | 24,302 |
| Fund balances, beginning of year | 47,788 | 14,775 | 62,563 |
| Fund balances, end of year | \$ 71,676 | \$ 15,189 | \$ 86,865 |

Village of Pewamo

Major Street Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended March 15, 2004
With Actual Amounts for Year Ended March 15, 2003

| | Budget | 2004 Actual | Variance Favorable (Unfavorable) | 2003 Actual |
|---|------------------|------------------|--|------------------|
| REVENUES | | | | |
| Intergovernmental - State | | | | |
| Gas and weight tax | \$ 36,000 | \$ 38,817 | \$ 2,817 | \$ 40,453 |
| Interest | 100 | 505 | 405 | 520 |
| TOTAL REVENUES | 36,100 | 39,322 | 3,222 | 40,973 |
| EXPENDITURES | | | | |
| Street maintenance | | | | |
| Salaries and wages | 3,700 | 5,715 | (2,015) | 3,700 |
| Supplies | - | 110 | (110) | - |
| Equipment rental | 5,000 | 7,842 | (2,842) | 8,771 |
| Repairs and maintenance | 1,500 | 67 | 1,433 | 110 |
| Miscellaneous | 500 | - | 500 | 20 |
| Total street maintenance | 10,700 | 13,734 | (3,034) | 12,601 |
| Construction | | | | |
| Contractual services | 5,000 | 1,307 | 3,693 | 8,274 |
| Traffic service maintenance | | | | |
| Utilities | 100 | 93 | 7 | 106 |
| Winter maintenance | | | | |
| Supplies | 300 | 300 | - | 302 |
| TOTAL EXPENDITURES | 16,100 | 15,434 | 666 | 21,283 |
| EXCESS OF REVENUES OVER EXPENDITURES | 20,000 | 23,888 | 3,888 | 19,690 |
| Fund balance, beginning of year | 47,788 | 47,788 | -0- | 28,098 |
| Fund balance, end of year | <u>\$ 67,788</u> | <u>\$ 71,676</u> | <u>\$ 3,888</u> | <u>\$ 47,788</u> |

Village of Pewamo

Local Street Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

Year Ended March 15, 2004
With Actual Amounts for Year Ended March 15, 2003

| | Budget | 2004 Actual | Variance Favorable (Unfavorable) | 2003 Actual |
|---|-----------|----------------|--|----------------|
| REVENUES | | | | |
| Intergovernmental - State | | | | |
| Gas and weight tax | \$ 10,000 | \$ 11,270 | \$ 1,270 | \$ 11,714 |
| Interest | 100 | 120 | 20 | 240 |
| TOTAL REVENUES | 10,100 | 11,390 | 1,290 | 11,954 |
| EXPENDITURES | | | | |
| Street maintenance | | | | |
| Salaries and wages | 3,500 | 3,795 | (295) | 3,500 |
| Contractual services | 500 | 1,308 | (808) | 4,393 |
| Office Supplies | - | 110 | (110) | 21 |
| Equipment rental | 3,000 | 5,404 | (2,404) | 3,829 |
| Repairs and maintenance | 1,400 | - | 1,400 | 2,823 |
| Total street maintenance | 8,400 | 10,617 | (2,217) | 14,566 |
| Winter maintenance | | | | |
| Supplies | 250 | 359 | (109) | 302 |
| TOTAL EXPENDITURES | 8,650 | 10,976 | (2,326) | 14,868 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 1,450 | 414 | (1,036) | (2,914) |
| Fund balance, beginning of year | 14,775 | 14,775 | -0- | 17,689 |
| Fund balance, end of year | \$ 16,225 | \$ 15,189 | \$ (1,036) | \$ 14,775 |

Village of Pewamo

Enterprise Funds

COMBINING BALANCE SHEET

March 15, 2004

| | Sewer System | Water System | Total |
|--|---------------------|-------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 11,914 | \$ 7,718 | \$ 19,632 |
| Accounts receivable | 7,020 | 10,440 | 17,460 |
| Accrued interest receivable | 1,791 | - | 1,791 |
| Due from other funds | 990 | 990 | 1,980 |
| Total current assets | 21,715 | 19,148 | 40,863 |
| Other assets | | | |
| Investments | 414,150 | 18,000 | 432,150 |
| Advance to other funds | 56,000 | 4,000 | 60,000 |
| Total other assets | 470,150 | 22,000 | 492,150 |
| Fixed assets | | | |
| Utility plant, wells, and mains | - | 471,635 | 471,635 |
| Sewer system | 1,582,689 | - | 1,582,689 |
| Equipment | 34,292 | - | 34,292 |
| Accumulated depreciation | (683,161) | (191,562) | (874,723) |
| Net fixed assets | 933,820 | 280,073 | 1,213,893 |
| TOTAL ASSETS | <u>\$ 1,425,685</u> | <u>\$ 321,221</u> | <u>\$ 1,746,906</u> |
| LIABILITIES AND FUND EQUITY | | | |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable | \$ 153 | \$ 762 | \$ 915 |
| Due to others funds | 391 | 22,492 | 22,883 |
| TOTAL LIABILITIES | 544 | 23,254 | 23,798 |
| FUND EQUITY | | | |
| Contribution in aid of construction | | | |
| Federal Government | 485,897 | - | 485,897 |
| Taxpayers | 382,574 | - | 382,574 |
| Retained earnings - unreserved | 556,670 | 297,967 | 854,637 |
| TOTAL FUND EQUITY | <u>1,425,141</u> | <u>297,967</u> | <u>1,723,108</u> |
| TOTAL LIABILITIES AND FUND EQUITY | <u>\$ 1,425,685</u> | <u>\$ 321,221</u> | <u>\$ 1,746,906</u> |

Village of Pewamo

Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS

Year Ended March 15, 2004

| | Sewer System | Water System | Total |
|--|-----------------|-----------------|------------|
| OPERATING REVENUES | | | |
| Charges for services | \$ 31,570 | \$ 44,823 | \$ 76,393 |
| Miscellaneous | 223 | - | 223 |
| TOTAL OPERATING REVENUES | 31,793 | 44,823 | 76,616 |
| OPERATING EXPENSES | | | |
| Salaries and wages | 20,710 | 15,600 | 36,310 |
| Supplies | 764 | 764 | 1,528 |
| Contractual services | 5,279 | 13,584 | 18,863 |
| Utilities | 1,788 | 3,289 | 5,077 |
| Repairs and maintenance | 622 | 3,065 | 3,687 |
| Equipment rental | 4,485 | 5,223 | 9,708 |
| Miscellaneous | 18 | 10 | 28 |
| Water samples | - | 2,217 | 2,217 |
| Depreciation | 33,599 | 11,514 | 45,113 |
| TOTAL OPERATING EXPENSES | 67,265 | 55,266 | 122,531 |
| OPERATING LOSS | (35,472) | (10,443) | (45,915) |
| NONOPERATING REVENUES | | | |
| Interest revenue | 186 | 106 | 292 |
| NET LOSS | (35,286) | (10,337) | (45,623) |
| Add depreciation on contributed fixed assets | 17,669 | - | 17,669 |
| DECREASE IN RETAINED EARNINGS | (17,617) | (10,337) | (27,954) |
| Retained earnings, beginning of year | 574,287 | 308,304 | 882,591 |
| Retained earnings, end of year | \$ 556,670 | \$ 297,967 | \$ 854,637 |

Village of Pewamo

Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended March 15, 2004

| | Sewer System | Water System | Total |
|--|-----------------|-----------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Operating loss | \$ (35,472) | \$ (10,443) | \$ (45,915) |
| Adjustments to reconcile operating loss to net cash provided by operating activities | | | |
| Depreciation | 33,599 | 11,514 | 45,113 |
| (Increase) in accounts receivable | (2,278) | (3,348) | (5,626) |
| Decrease in accrued interest receivable | 855 | - | 855 |
| Increase (decrease) in accounts payable | (3,079) | 192 | (2,887) |
| Increase in due to other funds | - | 22,372 | 22,372 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (6,375) | 20,287 | 13,912 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of investments | (414,150) | (18,000) | (432,150) |
| Maturities of investments | 414,150 | 28,245 | 442,395 |
| Interest revenue | 186 | 106 | 292 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | 186 | 10,351 | 10,537 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Capital purchases | - | (26,407) | (26,407) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR | (6,189) | 4,231 | (1,958) |
| Cash and cash equivalents, beginning of year | 18,103 | 3,487 | 21,590 |
| Cash and cash equivalents, end of year | \$ 11,914 | \$ 7,718 | \$ 19,632 |